

STATEMENT OF CONSIDERATIONS

Class Waiver of the Government's U.S. and Foreign Patent Rights in Inventions Arising under Work for Others Activities Conducted with Advance Payments provided by the Laboratory using funds under Clauses H 21 (k)(3) and I 96(h) under Management and Operating Contract No. W-31-109-ENG-38 Between the Department of Energy and The University of Chicago, as Operator of Argonne National Laboratory, W(C)-99-003, CH-1009

The University of Chicago (University), a nonprofit educational organization, manages and operates the Government-owned facilities of the Department of Energy's (DOE) Argonne National Laboratory in Argonne, Illinois under Prime Contract W-31-109-ENG-38 (the Contract). The University has the right to retain title to inventions made in the performance of the prime contract with DOE pursuant to Title 35 U.S.C. § 202 (Public Law 96-517, as amended by Public Law 98-620), other than those inventions excluded by Section 202(a)(ii-iv).

Pursuant to the Contract, the Laboratory may, and is encouraged to, engage in Work For Others (WFO) activities in accordance with DOE Order 481.1 - "Work for Others (non-Department of Energy Funded Work)", dated 9/30/96. A class waiver of DOE's rights to the Laboratory's and the Sponsor's inventions has been issued, waiving DOE's rights to the Sponsor provided the criteria for the class waiver have been met. The criteria provide that the Sponsor is providing appropriate cost reimbursement and that the work is not supported in whole or in part with direct program funding.

15 U.S.C. 3710a and 35 U.S.C. 202 authorize the use of royalties accruing to the laboratory from privately funded technology transfer activities for scientific research and development consistent with the R & D mission and objectives of the laboratory. And, as is provided in the Contract, Clause I-96 - Technology Transfer Mission, paragraph (h) Disposition of income, any inventions made utilizing royalties or other income earned or retained as a result of authorized technology transfer activities shall be deemed "Subject Inventions" under the Contract. Further, royalty or other income from the University to be used at the facility for Research and Development pursuant to Clause H 21 (k)(3) and Clause I 96(h) of the contract may be used by the Laboratory to provide advance payments for Work for Others (WFO) arrangements. This funded WFO is subject to the DOE Order 481.1 - "Work for Others (non-Department of Energy Funded Work)", dated 9/30/96, with a waiver of DOE rights in the Laboratory's and the Sponsor's inventions to the Sponsor, provided the sponsor meets the conditions for applicability of the waiver. DOE Order 481.1 and the Administrative Update to the WFO Class Waiver also provide that the Contractor may obtain title to the Contractor's inventions under certain conditions.

In this situation, the majority of M&O facilities governed by these contract provisions consider an election of title to this class of inventions to be warranted; however, the University of Chicago's position is that the contract language does not allow such an election absent a waiver of government rights. That is, in those instances where royalty or other income is used to provide advance payments for WFO arrangements, a question can be raised as to whether or not the criteria for the applicability of the class waiver have been met, while any advance payment remains outstanding and particularly if the Sponsor fails to reimburse the Laboratory for the advance payment. In such a case, funds which are required by the Contract to be utilized consistent with the research and development mission and objectives of the DOE facility have been utilized to support the Work for Others, and, until there has been reimbursement of the advance payment, there has not been appropriate cost recovery. Although the University has the right to file identified waiver petitions on each of these inventions made in the

course of WFO R&D activities conducted with the laboratory's share of royalties or income to provide an advance payment on behalf of the WFO sponsor, this process imposes a substantial front end administrative burden, both on the Department and on the University, in preparing and processing such individual waiver petitions.

It is the intent of this class waiver to clarify that DOE waives its rights, consistent with the Work for Others Class Waiver and implementation of DOE Order 481.1, in those Work for Others arrangements where the Laboratory provides funds, such as funds from royalties or other income, to cover advance payment for the Sponsor, provided that the Sponsor does in fact reimburse the Laboratory for the advance payment by or upon completion of the work. This waiver of rights to the Sponsor is contingent upon the full reimbursement to the Laboratory of any advance payment.

It is a further intent of this Class Waiver to permit the Laboratory to obtain rights in inventions made by Laboratory employees under a Work for Others where there has been advance payment where the Sponsor has not elected to retain title or where the Sponsor fails to reimburse the Laboratory for the advance payment. Therefore, the scope of this Class Waiver also includes a waiver of DOE rights to the University in those inventions made by Laboratory employees (and not those made solely by the Sponsor's employees) under a Work for Others where advance payment has been provided by the Laboratory from royalties or other income and the Sponsor has either not elected to retain title under this class waiver or has failed to reimburse the Laboratory for the advance payment.

In the event the Sponsor fails to reimburse the Laboratory for the advance payment, the Sponsor will not have provided appropriate cost reimbursement, the criteria for the class waiver will not have been met, and the waiver will be inapplicable and void. DOE's rights in any inventions will not have been effectively waived and title will revert to DOE (or the Laboratory under this waiver in any Laboratory invention) in any inventions where the Sponsor had elected to retain title.

The scope of this Class Waiver is directed to the class of inventions which comprise subject inventions made under a Work for Others agreement where royalty or other income have been used to provide advance payments for the WFO. In these circumstances, it is understood that the terms and conditions for applicability of the class waiver have otherwise been met by the sponsor. That is, there has been a determination by DOE and the Laboratory that the work to be performed by and/or for the sponsor is primarily the interest and work of the sponsor, is not sufficiently within DOE's programmatic mission responsibilities to cause DOE to support the work in whole or in part with direct program funding, and any inventions arising out of the particular WFO agreement may be waived to the sponsor. Therefore, a class waiver of these inventions provides the mechanism to allow equal treatment and the same disposition of rights in a Work for Others agreement, even where the Laboratory has provided funds for advance payment on behalf of the Sponsor, provided the Sponsor reimburses those funds.

Implementation of this Class Waiver is to be by a simple procedure which requires the laboratory to follow the already established procedures for invention reporting and election of title as provided in paragraph (b) of the patent clause (H. 21-- P.L. 98-620 Patent Rights) of the Contract. Further, the waiver is subject to all the terms and conditions presently governing the university with respect to election of title to subject inventions provided under this clause of the contract.

In accordance with the authority of Section 152 of the Atomic Energy Act of 1954 (42 U.S.C. 2182) as amended, and Section 9 of the Federal Non-Nuclear Energy Research and Development Act of 1974 (42 U.S.C. 5908), it is believed to be in the best interest of the United States and the general

public to grant a Class Waiver as described herein.

The grant of this Class Waiver should not result in adverse effects on competition or market concentration. Waived inventions will be subject to a royalty-free license to the Government and DOE has the right to require periodic reports on the utilization, or the efforts at obtaining utilization, that are being made for the waived inventions. If the University or the Sponsor are not making reasonable efforts to utilize a waived invention, DOE can exercise its march-in-right and require licensing of the invention.

In view of the statutory objectives to be obtained and the factors to be considered under DOE's statutory waiver policy and regulations, 10 CFR 784, the objectives of Public Law 101-189, and Executive Order 12591, all of which have been considered, it is believed that the Class Waiver as set forth above will best serve the interest of the United States and the general public. It is therefore recommended that the waiver be granted.

[Redacted Signature]

9/20/99

Mark P. Dvorscak
Assistant Chief Counsel
Office of Intellectual Property Law

Based on the foregoing Statement of Considerations, it is determined that the interest of the United States and the general public will be best served by a waiver of United States and foreign patent rights as set forth herein and, therefore, the waiver is granted, subject to the terms of the Contract as amended. This waiver shall not affect any waiver previously granted.

Concurrence:

[Redacted Signature]

Antonette Joseph
Director, Laboratory Policy
& Infrastructure Management
Office of Laboratory Policy

Date: 9/24/99

Approved:

[Redacted Signature]

Paul A. Gottlieb
Assistant General Counsel for
Intellectual Property and
Technology Transfer

Date: 9-24-99